

# Medicare Performance-Based Incentives and Rural Hospitals

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# Key CMS IPPS Hospital Payment Adjustment Programs

- There are a range of CMS programs which can result in either reductions or enhancements of an IPPS hospital's Medicare payment rate.
- Some of these programs are performance-based – i.e., the payment reduction/enhancement is linked to measured hospital performance measures. Other programs are based upon the hospital's status or operating characteristics and are somewhat like an entitlement program based upon these characteristics.
- While each program has its own purposes, the combined impact of the multiple programs can confuse the purposes of any one program. For example, a payment enhancement program can completely offset the incentives set by a payment reduction program.
- This presentation will explore the combined impact of these programs on rural hospitals. It will also examine the disparate impact of the programs on rural and urban IPPS hospitals.
- Lastly, the presentation will introduce state-specific profiles created for individual SORHS. This is a new data tool providing a summary of payment enhancements and reductions for individual rural IPPS hospitals in each state.

# IPPS Hospital Performance-Based Payment Adjustment Programs

- CMS has 5 major performance- based payment adjustment programs:
  - Hospital Readmission Reduction Program [HRRP]
  - Hospital Acquired Condition Reduction Program [HACRP]
  - Hospital Value-Based Purchasing Program [HVBPP]
  - Hospital Inpatient Quality Reporting Program [IQP]
  - Medicare and Medicaid Promoting Interoperability Program [EHR]
- 4 of these programs are payment reduction only programs. IPPS rates are reduced based upon failure to achieve specific performance levels.
- 1 of these programs – the HVBPP – can be either a payment reduction or a payment enhancement program, depending upon hospital performance.
- It should be noted that several of the programs are based upon relative performance – a hospital’s performance compared to all other IPPS hospitals. This is quite different than objective performance. A hospital which does not have a penalty assessed in one year could, conceivably be penalized in the next, without any change in performance, if all other IPPS hospitals improve disproportionately.

# IPPS Hospital - Special Status Payment Adjustment Programs

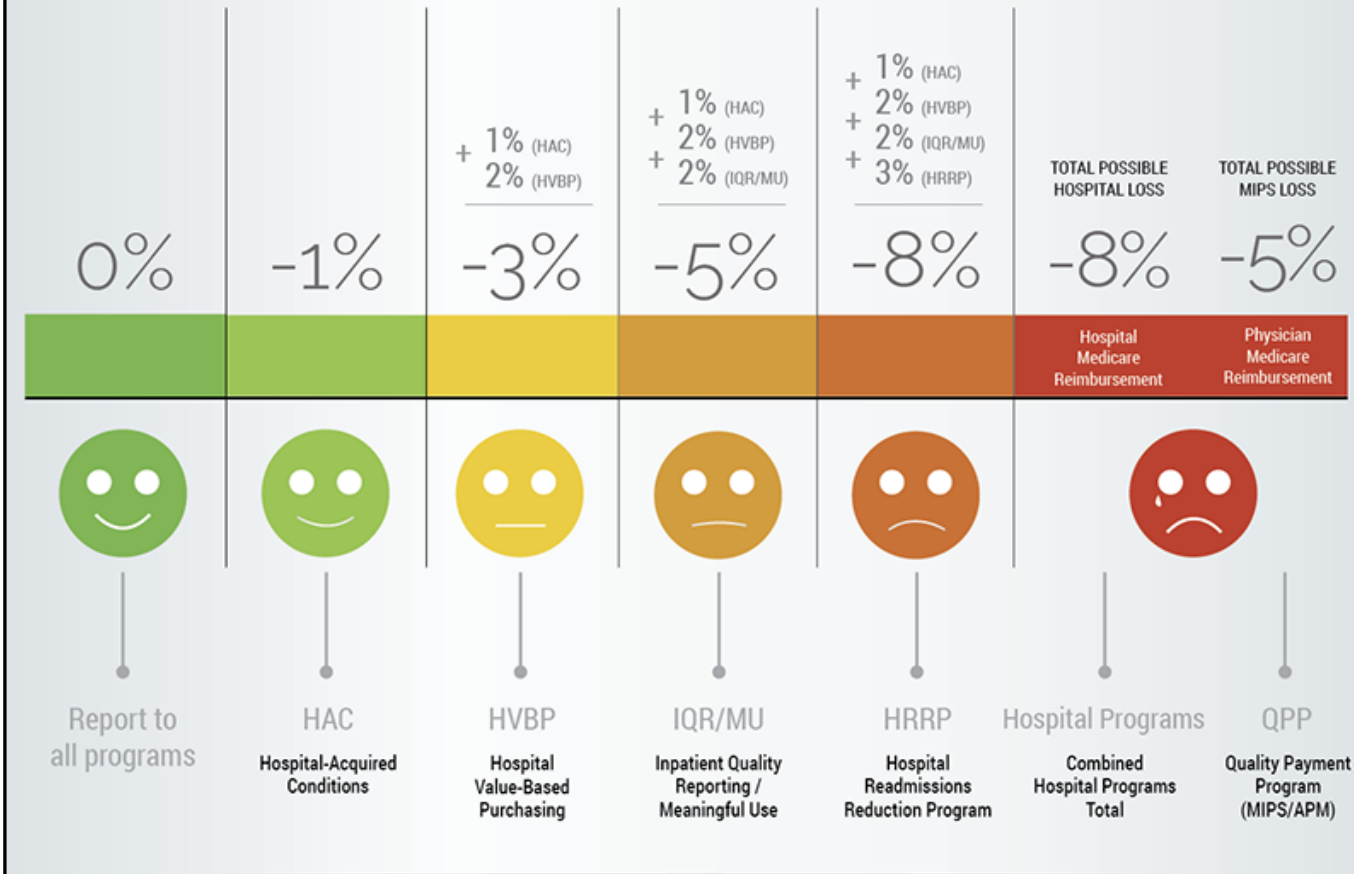
- CMS has 4 major payment adjustment programs based upon the status or operating characteristics of IPPS hospitals:
  - Low Volume Hospital Program [LVH]
  - Disproportionate Share Hospital Program [DSH]
  - Sole Community Hospital Program [SCH]
  - Medicare Dependent Hospital Program [MDH]
- All these programs are payment enhancement programs. The calculations for some can be based upon simple payment percentage adjustments. The adjustments for others are based upon more complex calculations.
- Note that the DSH and SCH programs were scheduled for elimination under provisions of the Affordable Care Act. Congress has extended their existence, although it is at a greatly reduced payment level. They continue to play a important, but declining role in IPS hospital sustainability.

# Hospital Performance-Based Payment Adjustment Amounts

- The HACRP assesses IPPS hospital performance related to patient safety and hospital acquired infections (HAIs). Based upon an annual review, the lowest performing hospitals are penalized 1% of their Medicare payment rate for a full year.
- The HRRP considers readmissions to an IPPS hospital for the same diagnosis within 30 days of initial discharge. IPPS hospitals with higher rates of readmission for key diagnoses can be assessed up to 3% of their Medicare payment rate for a full year. Hospital performance is measured against all other IPPS hospitals.
- The HVBPP considers hospital performance on more than 50 measures. IPPS hospitals which compare poorly to other hospitals can face a penalty of up to 2% of their Medicare payment rate. Hospitals which compare favorably can get a payment enhancement as high as 3%-4% of their Medicare payment rate.
- The IQP assures that an IPPS hospital reports adequately to CMS on key quality measures. Failure to report results in a penalty of 1% of the Medicare payment rate.
- The EHR assures that an IPPS hospital is maintaining an approved electronic health record system adequate to produce all necessary report. Failure to maintain such a system will result in a reduction of the Medicare payment rate of 1%.

# How Much Could Your Health System Lose From These Quality Reporting Programs?

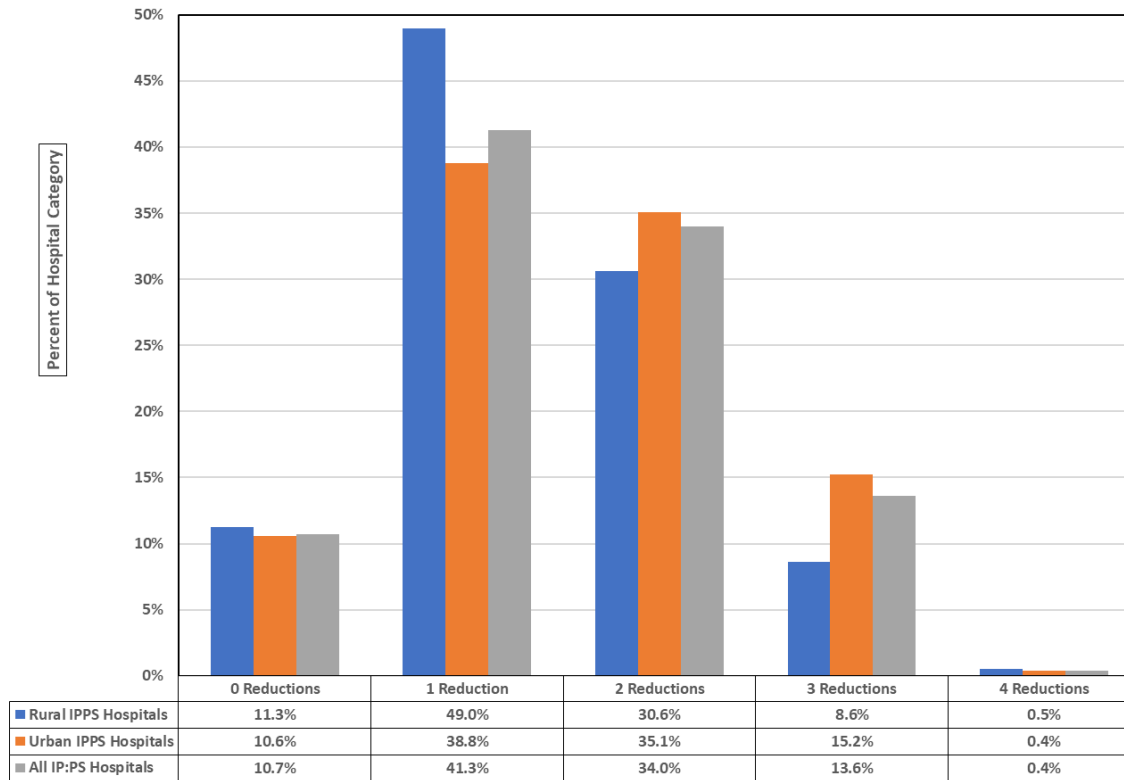
A penalty from one program might sting, but combined penalties could *really* hurt!



# IPPS Hospital - Special Status Payment Adjustment Amounts

- The LVH program provides a payment enhancement to IPPS hospitals with limited numbers of discharges. A hospital's payment enhancement is calculated on a sliding scale ranging from 25 percent for low-volume hospitals with 500 or fewer discharges to 0 percent for low-volume hospitals with greater than 3,800 discharges. In FY 2020 the median enhancement for eligible hospitals was 16%.
- The DSH and SCH programs both provide payment enhancements to IPPS hospitals using complicated formulae. Number of beds, urban/rural status and level of service to low income populations are considered in the calculations. For many hospitals the resulting enhancement is capped at 12%, but this limit may be waived for larger facilities. In FY 2020 the median enhancement for eligible hospitals was 5%.
- The MDH program provides an alternate payment mechanism for small rural hospitals. The rate is calculated on a hospital-specific basis that is higher than the base IPPS. MDH eligible hospitals do not have a cap on DSH payments. The hospital-specific basis of payment makes it difficult to specify a percent of payment enhancement.

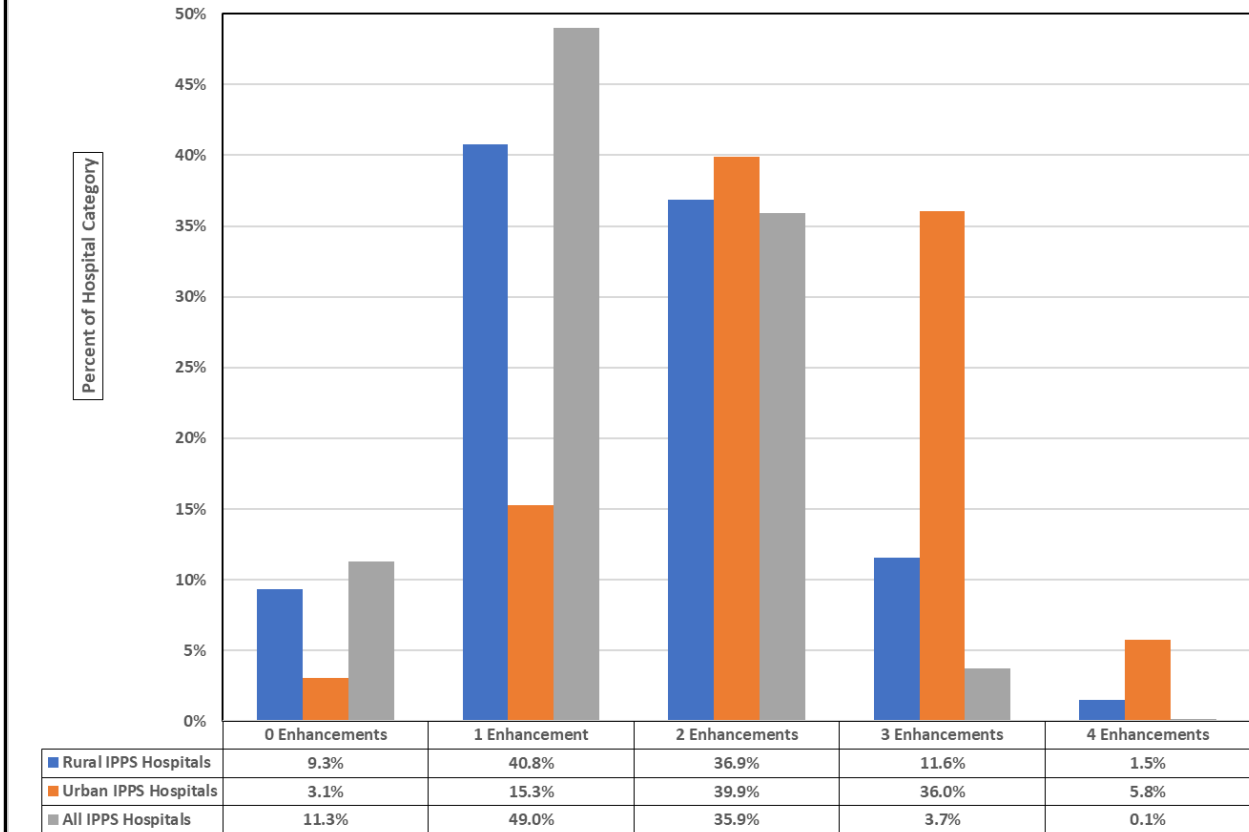
**IPPS Hospitals with Performance Program Payment Reductions - FY 2020**



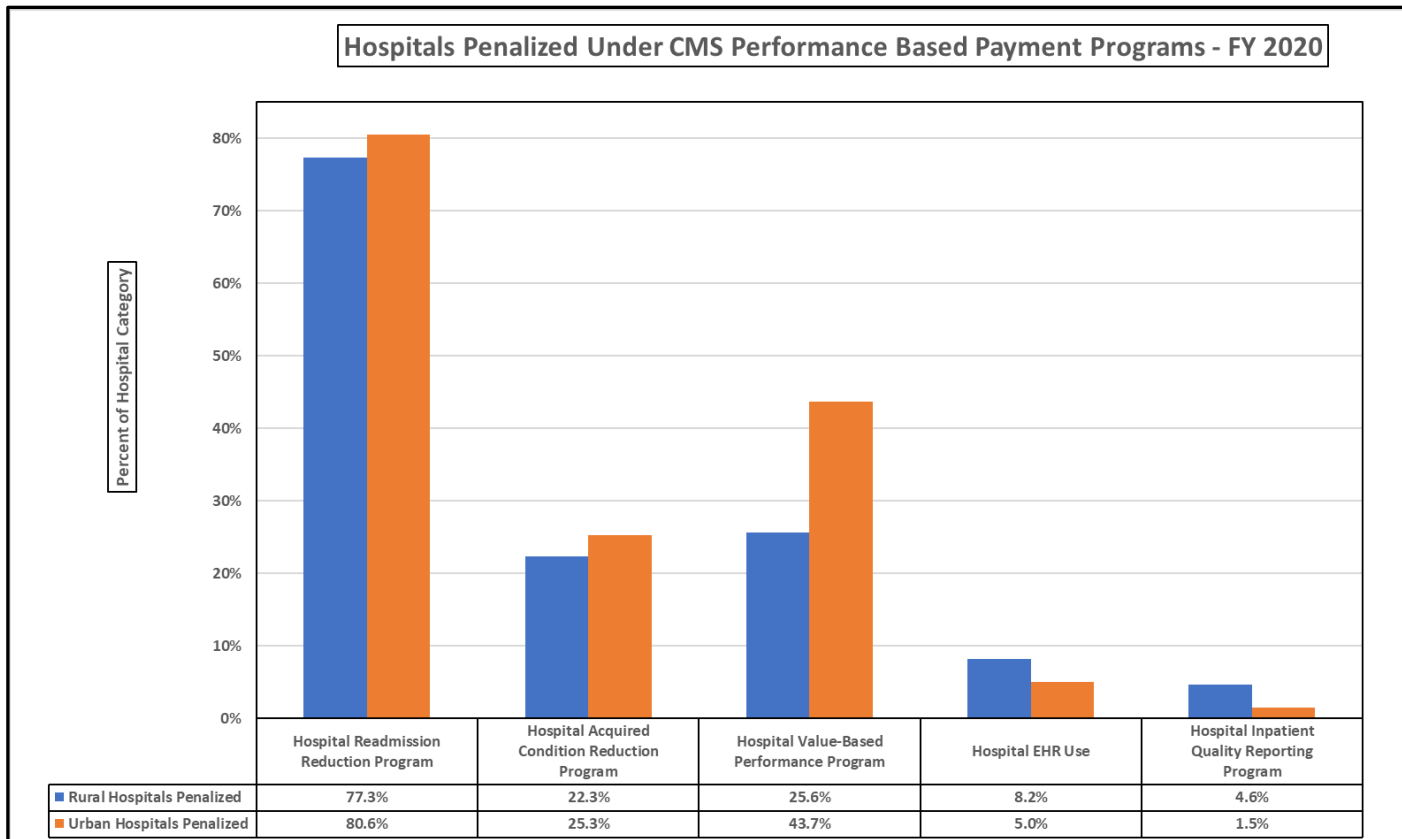
- **Almost half of all rural IPPS hospitals have payment reductions under only 1 performance-based payment program. Only 39% are penalized under 2 or more programs. Note that no hospitals have reductions under all 5 programs.**
- **A higher percentage of urban IPPS have reductions under 2 or more performance-based payment programs than do rural IPPS hospitals.**



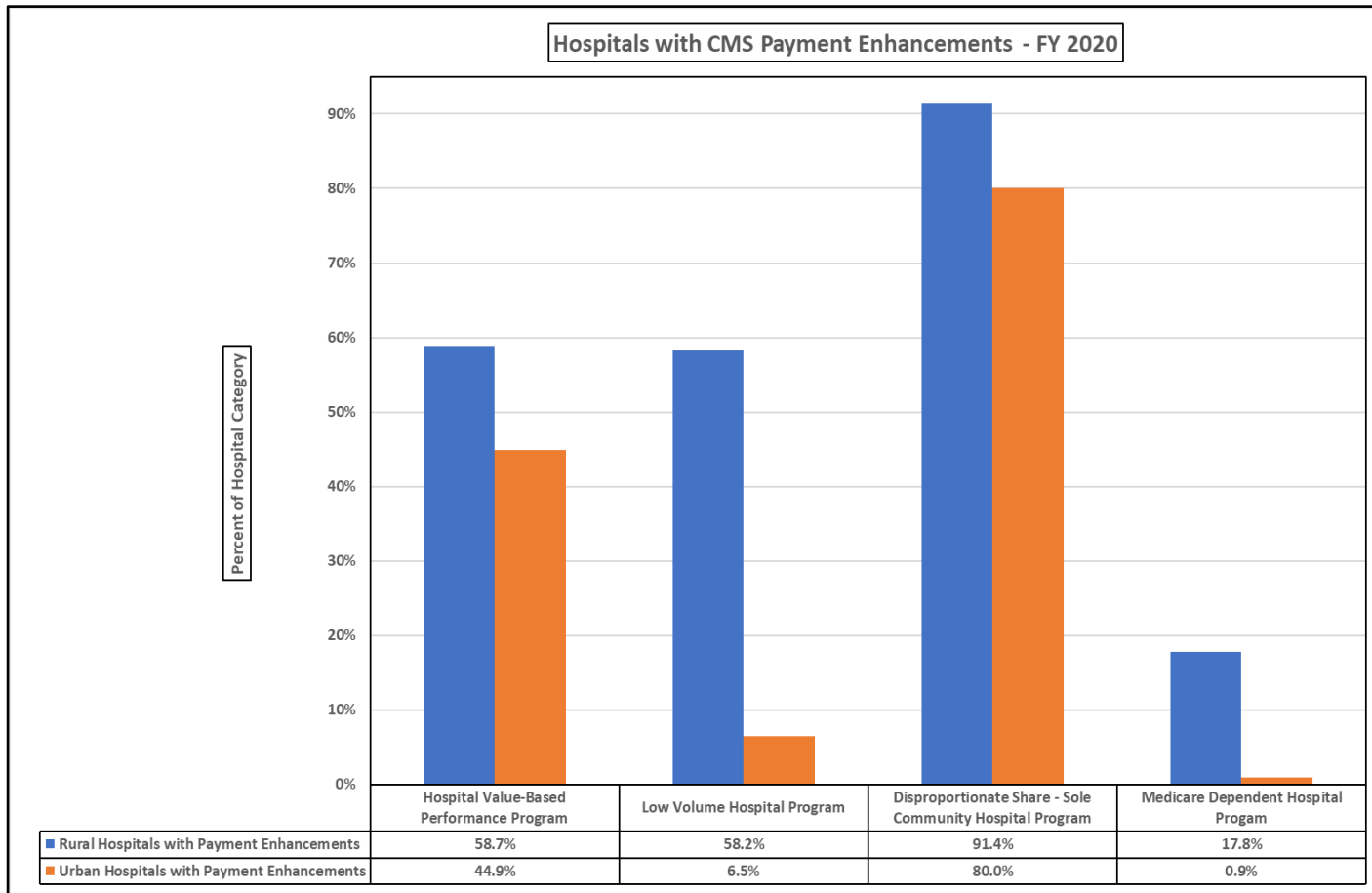
**IPPS Hospitals with Medicare Payment Enhancements - FY 2020**



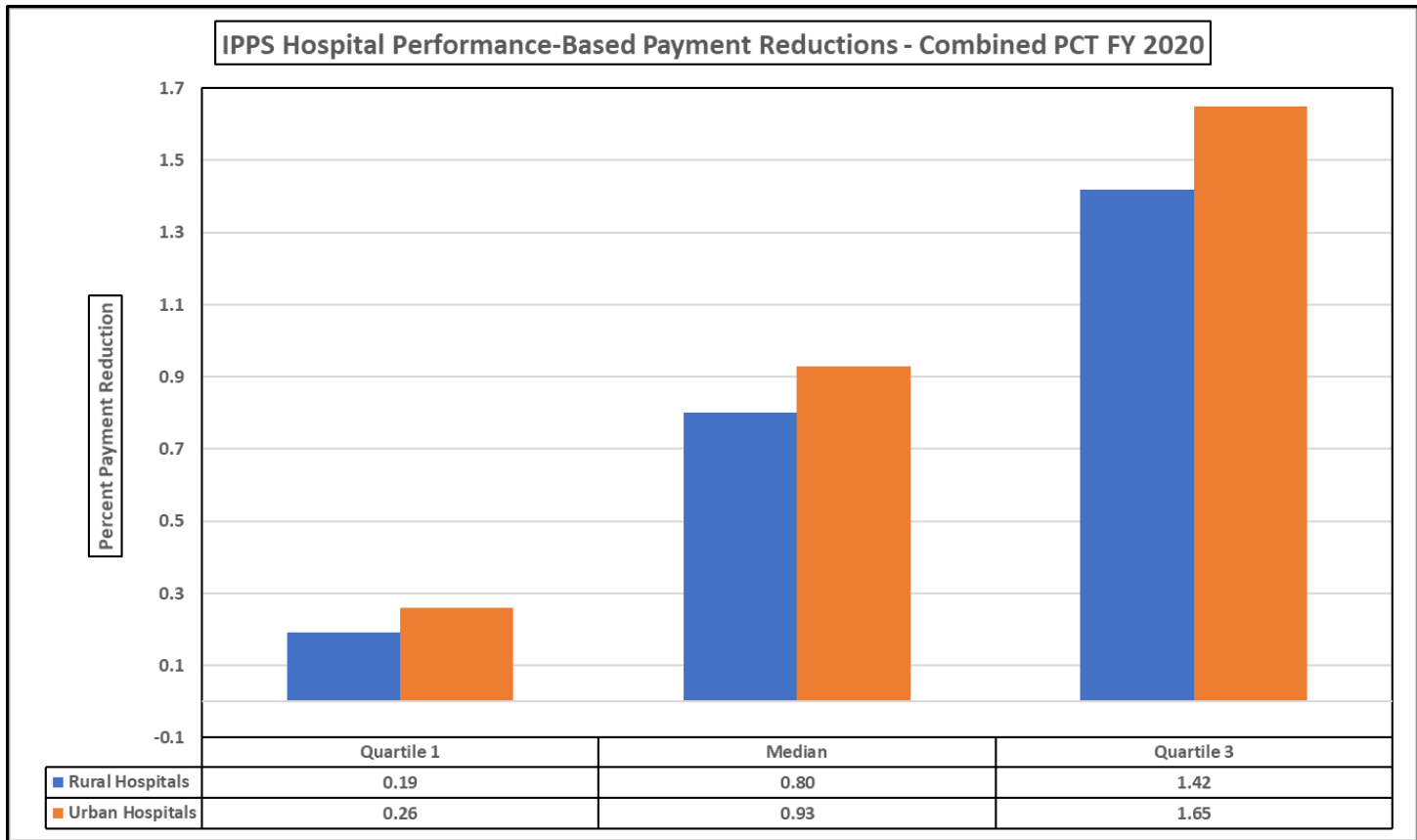
- **40% of all rural IPPS hospitals have only a single payment enhancement under performance-based payment programs.**
- **A much higher percentage of urban IPPS hospitals [81.7%] have 2 or more payment enhancements than do rural IPPS hospitals [50.%]**



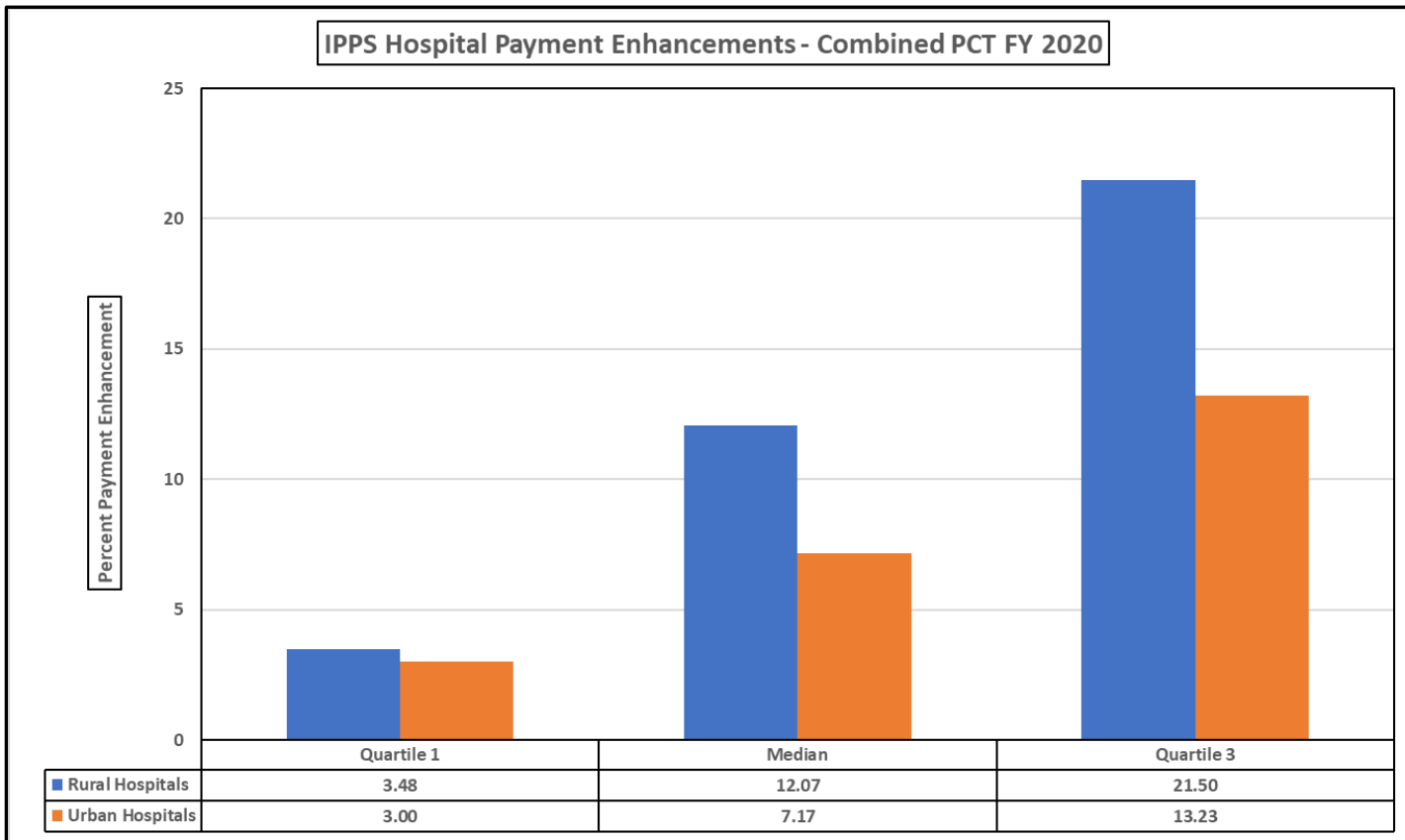
- More than three-quarters of rural IPPS hospitals are assessed penalties under the HRRP. In comparison, only about one-quarter of rural IPPS hospitals are assessed penalties under the HACRP and HVBPP programs. Very small percentages of rural IPPS hospitals are penalized under the EHR and IQP programs.
- Note that a larger percentage of urban IPPS hospitals are penalized for the 3 core performance-based payment programs – HRRP, HACRP and HVBPP – but that a lower percentage are penalized for the EHR and IQP programs.



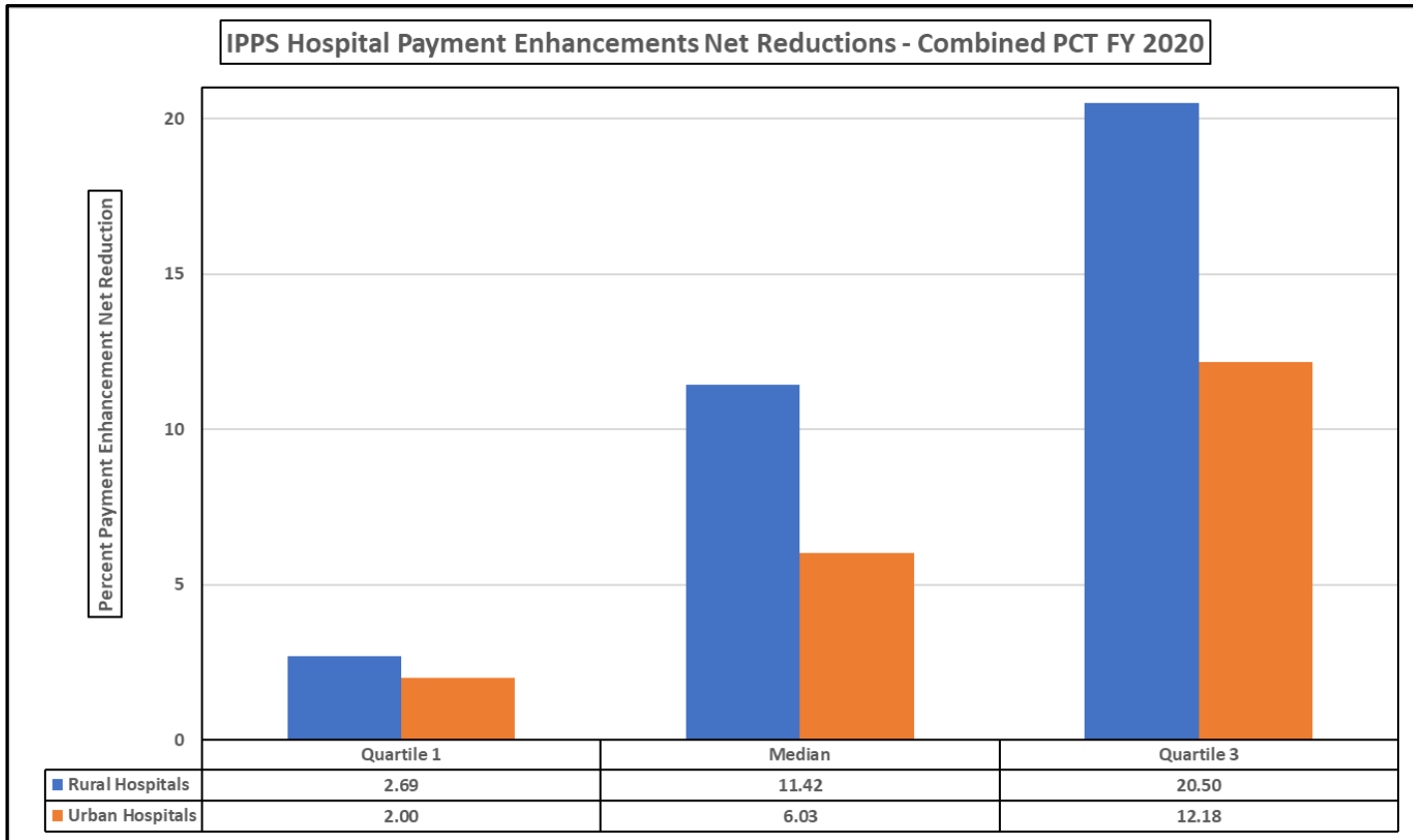
- More than half of all rural IPPS hospitals receive payment enhancements under the HVBPP and LVH programs. More than 90% of rural IPPS hospitals receive enhancements under the DSH-SCH program. Both LVH and MDH programs are predominantly rural.
- A higher percentage of rural IPPS hospitals receive enhancements than urban IPPS hospitals under all 4 enhancement programs.



- **IPPS Hospital performance-based payment reductions include those assessed under the HACRP, HRRP, HVBPP, IQP and EHR programs**
- **Overall the five performance-based programs combine for a fairly low payment reduction in both rural and urban hospitals. *Median penalties in both are less than 1%.***
- **Rural IPPS hospitals generally have lower penalty levels than do urban IPPS hospitals.**



- IPPS hospital payment enhancements summarized here derive from the HVBPP, Low Volume Hospital and DSH-SCH programs. The MDH program is not based on a percentage payment enhancement.
- IPPS hospital payment enhancements are extremely important for both rural and urban hospitals. Median enhancements in rural hospitals exceed 12%, dwarfing the small net performance-based payment reduction program medians.
- Rural IPPS hospitals generally have higher enhancement rates than do urban IPPS hospitals. The bulk of the enhancements come from Low Volume Hospital and DSH-SCH enhancements. HVBPP bonus payments are small in comparison.



- IPPS hospital payment enhancements net reductions demonstrate the relative importance of enhancement programs. Median net enhancements in rural hospitals exceed 11%.
- Rural IPPS hospitals generally have higher net enhancement levels than do urban IPPS hospitals.

# State Profiles – Payment Reductions and Enhancements in Rural IPPS Hospitals

- Available on the NOSORH website are *State Profiles* containing data on the Medicare payment reductions and enhancements for each rural IPPS hospital in the state.
- Data in the profile includes:
  - Reduction amounts, if any, assessed under each performance-based program.
  - Enhancement programs for which the hospital is entitled with an estimate of enhancement amount, where available.
- The data on payment reductions has the greatest immediate use by SORHs. It identifies *potential performance problems* at rural IPPS hospitals. This information can be used by SORHs in crafting hospital-specific quality improvement activities.
- Hospitals are ranked by the total of payment reductions assessed in FY 2020. Hospitals with the largest total payment reductions are potentially those with the most serious performance problems. The ranking can be used to help target highest quality improvement efforts.
- Note that there are profiles for only 46 states – those with rural IPPS hospitals.
- Screenshots showing parts of a typical State Profile are on the following slides.

Facility Name	Number of Reductions	Combined Reduction PCT	HAC Reduction PCT	HRRC Reduction PCT	HVBPP Reduction PCT	IQR Reduction PCT	EHR-MU Reduction PCT
GALLUP INDIAN MEDICAL CENTER	3	3.05	1.00	1.05	0.00	1.00	0.00
GERALD CHAMPION REGIONAL MEDICAL CENTER	3	2.95	1.00	1.52	0.43	0.00	0.00
LOS ALAMOS MEDICAL CENTER	3	2.00	1.00	0.88	0.12	0.00	0.00
LOVELACE REGIONAL HOSPITAL - ROSWELL	2	1.88	0.00	1.86	0.02	0.00	0.00
GILA REGIONAL MEDICAL CENTER	1	1.00	0.00	0.00	0.00	0.00	1.00
ARTESIA GENERAL HOSPITAL	1	1.00	0.00	0.00	0.00	1.00	0.00
ZUNI COMPREHENSIVE COMMUNITY HEALTH CENTER	1	1.00	0.00	0.00	0.00	1.00	0.00
DHHS USPHS INDIAN HEALTH SERVICES	1	1.00	0.00	0.00	0.00	1.00	0.00
ROOSEVELT GENERAL HOSPITAL	1	0.77	0.00	0.77	0.00	0.00	0.00
REHOBOTH MCKINLEY CHRISTIAN HEALTH CARE SERVICES	2	0.71	0.00	0.26	0.45	0.00	0.00
EASTERN NEW MEXICO MEDICAL CENTER	1	0.70	0.00	0.70	0.00	0.00	0.00
PLAINS REGIONAL MEDICAL CENTER	1	0.53	0.00	0.53	0.00	0.00	0.00
ALTA VISTA REGIONAL HOSPITAL	1	0.41	0.00	0.41	0.00	0.00	0.00
CARLSBAD MEDICAL CENTER	1	0.22	0.00	0.22	0.00	0.00	0.00
LEA REGIONAL MEDICAL CENTER	1	0.01	0.00	0.01	0.00	0.00	0.00
PRESBYTERIAN ESPANOLA HOSPITAL	0	0.00	0.00	0.00	0.00	0.00	0.00
MESCALERO PHS INDIAN HOSPITAL	0	0.00	0.00	0.00	0.00	0.00	0.00
CROWNPOINT HEALTHCARE FACILITY	0	0.00	0.00	0.00	0.00	0.00	0.00
GUADALUPE COUNTY HOSPITAL	0	0.00	0.00	0.00	0.00	0.00	0.00

- This is a partial screenshot of the NM state profile. It displays the different performance-based payment reductions assessed on IPPS rural hospitals in the state.
- The ***Combined Reduction PCT*** shows the total of the different program reductions. Hospitals for each state are ranked by this total, with hospitals with the largest total penalties ranked highest.



Facility Name	Number of Enhancements	Estimated Combined Enhancement PCT	HVBPP Enhancement PCT	Low Volume Hospital Enhancement PCT	Estimated DSH-SCH Enhancement PCT	Combined Enhancements and Reductions PCT	MDH Enhancement
GALLUP INDIAN MEDICAL CENTER	2	10.50	0.00	7.49	3.02	7.45	N
GERALD CHAMPION REGIONAL MEDICAL CENTER	2	6.51	0.00	4.68	1.83	3.56	N
LOS ALAMOS MEDICAL CENTER	2	22.78	0.00	20.85	1.93	20.77	N
LOVELACE REGIONAL HOSPITAL - ROSWELL	1	3.00	0.00	0.00	3.00	1.13	N
GILA REGIONAL MEDICAL CENTER	3	19.53	0.72	15.82	3.00	18.53	N
ARTESIA GENERAL HOSPITAL	2	25.82	0.00	23.24	2.58	24.82	N
ZUNI COMPREHENSIVE COMMUNITY HEALTH CENTER	2	28.00	0.00	25.00	3.00	27.00	N
DHHS USPHS INDIAN HEALTH SERVICES	2	26.28	0.00	25.00	1.28	25.28	N
ROOSEVELT GENERAL HOSPITAL	2	28.01	0.00	25.00	3.01	27.24	N
REHOBOTH MCKINLEY CHRISTIAN HEALTH CARE SERVICES	2	12.47	0.00	9.47	3.00	11.76	N
EASTERN NEW MEXICO MEDICAL CENTER	2	10.00	0.96	0.00	9.05	9.30	N
PLAINS REGIONAL MEDICAL CENTER	3	4.80	0.48	1.30	3.02	4.27	N
ALTA VISTA REGIONAL HOSPITAL	2	3.88	0.88	0.00	3.00	3.47	N
CARLSBAD MEDICAL CENTER	3	19.33	1.49	11.63	6.20	19.11	N
LEA REGIONAL MEDICAL CENTER	3	16.30	0.98	8.61	6.72	16.29	N
PRESBYTERIAN ESPANOLA HOSPITAL	3	15.22	0.92	11.30	3.00	15.22	N
MESCALERO PHS INDIAN HOSPITAL	2	28.00	0.00	25.00	3.00	28.00	N
CROWNPOINT HEALTHCARE FACILITY	2	28.00	0.00	25.00	3.00	28.00	N
GUADALUPE COUNTY HOSPITAL	2	28.00	0.00	25.00	3.00	28.00	N

- This screenshot displays the different payment enhancements awarded to IPPS rural hospitals in the state.
- The Estimated Combined Enhancement PCT shows the estimated total of the different program enhancements. Note that this total generally is much larger than the performance-based total payment reductions. This raises questions about the how much incentive is actually provided by performance-based programs.
- Note also that the MDH does not provide a percentage payment enhancement and is not included in the combined total.

# Summary

- IPPS hospitals are subject to potential Medicare percentage payment reductions from 5 different performance-based payment programs.
- Payment reductions could total up to 8% of the Medicare payment rate but generally combine for much less than that maximum – often less than 1%.
- IPPS hospitals can receive Medicare percentage payment enhancements from 4 different programs. All but one of these is based upon the operating characteristics or status of the hospital, and are *not* performance-based.
- Payment enhancements can be substantial, far larger than payment reductions. This raises questions about the amount of incentive provided by performance-based programs.
- Rural IPPS hospitals generally have lower percentage payment reductions than do urban IPPS hospitals.
- Rural IPPS hospitals generally have higher percentage payment enhancements than do urban IPPS hospitals.
- State profiles are available on the NOSORH website detailing payment reductions and enhancements for rural IPPS hospitals.

# Reference Links -1

- **Hospital Readmission Reduction Program [HRRP]**
  - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program>
- **Hospital Acquired Condition Reduction Program [HACRP]**
  - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/HAC-Reduction-Program>
- **Hospital Value-Based Purchasing Program [HVPP]**
  - <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Value-Based-Programs/HVBP/Hospital-Value-Based-Purchasing>
- **Hospital Inpatient Quality Reporting Program [IQP]**
  - <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/HospitalRHQDAPU>
- **Medicare and Medicaid Promoting Interoperability Program [EHR]**
  - <https://www.cms.gov/newsroom/fact-sheets/2019-medicare-electronic-health-record-ehr-incentive-program-payment-adjustment-fact-sheet-hospitals>
- **Low Volume Hospital Program [LVH]**
  - <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM11361.pdf>
- **Disproportionate Care Hospital/Sole Community Hospital Program [DSH/SCH]**
  - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/dsh>

# Reference Links - 2

- **Disproportionate Care Hospital/Sole Community Hospital Program [DSH/SCH]**
  - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/dsh>
- **Medicare Dependent Hospital Program [MDH]**
  - <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/AcutePaymtSysfctsh.pdf>
  - [https://www.cgsmedicare.com/parta/audit/sch\\_mdh/mdh\\_regs.html](https://www.cgsmedicare.com/parta/audit/sch_mdh/mdh_regs.html)